

PUBLIC PENSION PLAN DESIGN & FUNDING REFORM

LEGISLATOR NOTICE

The Legislative Services Division is required to offer a brief history on the subject matter of a bill draft request prior to drafting (5-4-105, MCA; [Chapter 309, Laws of 2017](#)). The history must include related legislation introduced over the last five sessions and hyperlinks to the bill, hearing information, and fiscal notes. The legislation links below open to the page showing the status and history of bills introduced on this topic in the past. The bill text and any related fiscal notes can be accessed through the link at the top of that page.

Legislation can be complex and this history is not intended to be exhaustive. Please contact the drafter of the requested bill for more information.

Background Materials and Research

Topic Summary: This topic primer provides the history of bills related to significant plan design or funding reform for any of Montana's 10 statewide public employee retirement systems. The topic primer entitled "Public Pension Plans: Benefits & Contributions" provides the bill history related to benefit and contribution changes in Montana's public employee pension plans. Bills that could fit into either history are included in both.

The two main types of retirement plan designs are defined benefit (DB) plans and defined contribution (DC) plans. Hybrid plans combine features of DB and DC plans. Under a DB plan, benefits are defined by a formula based on years of service, salary, and a multiplier that determines what percentage of salary the employee will receive at retirement. A public employee DC plan is similar to a 401(k) plan. Under a DC plan, contribution amounts are defined and deposited to individual employee accounts. The employee allocates money in the account among the offered investment options. The benefit amount at retirement depends entirely on the employee's account balance at retirement.

Funding in any plan consists of contributions plus investment earnings. Also, any plan design must meet federal Internal Revenue Code standards to be considered a qualified retirement plan for tax purposes.

The vast majority of public employee plans nationwide are DB plans. However, some states do provide pure DC plans for some public employees, while other states have enacted hybrid plans. A common type of hybrid plan is a cash balance plan, which is a type of DB plan, but account balances are individually stated and credited with a certain interest rate defined by the plan's design. Benefit amounts depend on the employee's account balance at retirement.

Montana’s 10 statewide public employee retirement systems are listed below:

- Teachers’ Retirement System (TRS)
- Public Employees’ Retirement System (PERS)
- Judges’ Retirement System (JRS)
- Highway Patrol Officers’ Retirement System (HPORS)
- Sheriffs’ Retirement System (SRS)
- Game Wardens’ and Peace Officers’ Retirement System (GWPORS)
- Municipal Police Officers’ Retirement System (MPORS)
- Firefighters’ Unified Retirement System (FURS)
- Volunteer Firefighters’ Compensation Act (VFCA)
- Montana University System Retirement Program (MUSRP)

Except for two DC plans — the MUSRP and an optional DC plan within PERS — Montana’s public employee retirement plans are DB plans.

Legislative Services Division Materials: The latest reports and background materials concerning Montana’s public employee retirement systems are available online at [the Public Employee Pension Plans topic web page](#) for the State Administration and Veterans’ Affairs Interim Committee. Key materials include “A Legislator’s Guide to Montana’s Public Employee Retirement Systems”; summary tables commonly referred to as “green sheets” that provide at-a-glance benefit, funding, and membership data; “Montana’s Public Pensions: Where We’ve Been”, which offers a historical overview of benefits and funding for PERS and TRS; and PowerPoint background briefings on actuarial basics and pension fund investments.

Other Materials: The following agency websites provide additional information, including actuarial reports and investment information: [Montana Public Employee Retirement Administration \(MPERA\)](#), [Teachers’ Retirement System](#), and [Montana Board of Investments](#).

Nationwide and state-by-state data, including issue briefs on various public pension topics, are available at the following websites:

[National Conference of State Legislatures - Pensions](#)

[Public Plans Data \(Collaborative Effort\)](#)

[National Association of State Retirement Administrators](#)

Introduced Legislation

*Chapter number assigned means the bill was passed and approved. Otherwise, the latest action on the bill is noted.

2017

[House Bill No. 436](#) – (H) Died in Standing Committee - AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII OF THE MONTANA CONSTITUTION TO PROVIDE THAT EMPLOYER CONTRIBUTION INCREASES FOR PUBLIC RETIREMENT SYSTEMS MUST BE BY LEGISLATIVE REFERENDUM APPROVED BY A MAJORITY OF VOTERS IN AN ELECTION; AND PROVIDING AN EFFECTIVE DATE.

[House Bill No. 499](#) – (H) Died in Standing Committee - AN ACT REVISING ACTUARIAL VALUATION PROVISIONS FOR THE PUBLIC EMPLOYEE RETIREMENT SYSTEMS; REQUIRING THE PUBLIC EMPLOYEES' RETIREMENT BOARD AND THE TEACHERS' RETIREMENT BOARD TO PROVIDE AN ACTUARIAL REPORT BASED ON ALTERNATIVE ACTUARIAL ASSUMPTION RELATED TO INVESTMENT RETURNS; REVISING HOW OFTEN A REGULAR ACTUARIAL VALUATION MUST BE CONDUCTED; AND AMENDING SECTIONS 19-2-403, 19-2-405, 19-2-408, AND 19-20-201, MCA.

[Senate Bill No. 263](#) – (S) Died in Standing Committee - AN ACT REVISING HOW PUBLIC EMPLOYEE RETIREMENT FUNDS MAY BE INVESTED; AMENDING SECTION 17-6-201, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE.

2015

[House Bill No. 408](#) – (H) Died in Standing Committee - AN ACT REVISING CONTRACT RIGHTS FOR NEW MEMBERS OF THE DEFINED BENEFIT RETIREMENT PLANS ADMINISTERED BY THE PUBLIC EMPLOYEES' RETIREMENT BOARD AND FOR THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-2-502 AND 19-20-501, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE.

2013

[House Bill No. 282](#) – (H) Died in Standing Committee - AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE VIII OF THE MONTANA CONSTITUTION TO LIMIT GENERAL FUND EXPENDITURES UNLESS THE PUBLIC RETIREMENT SYSTEMS ARE FUNDED ON AN ACTUARIALLY SOUND BASIS; AND PROVIDING AN EFFECTIVE DATE.

[House Bill No. 338](#) – (H) Died in Standing Committee - AN ACT REVISING PUBLIC EMPLOYEE RETIREMENT LAWS; REQUIRING THAT ALL NEW PUBLIC EMPLOYEES OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM, JUDGES' RETIREMENT SYSTEM, HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM, SHERIFFS' RETIREMENT SYSTEM, GAME WARDENS' AND PEACE OFFICERS' RETIREMENT SYSTEM, MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM, FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM, OR TEACHERS' RETIREMENT SYSTEM AND VOLUNTEERS UNDER THE VOLUNTEER FIREFIGHTERS' COMPENSATION ACT BECOME MEMBERS OF A STATEWIDE DEFINED CONTRIBUTION RETIREMENT PLAN; REVISING MEMBERSHIP AND DUTIES OF THE PUBLIC EMPLOYEES' RETIREMENT BOARD; TEMPORARILY INCREASING EMPLOYEE CONTRIBUTION RATES FOR CURRENT MEMBERS OF THE PUBLIC EMPLOYEES', HIGHWAY PATROL OFFICERS', SHERIFFS', GAME WARDENS' AND PEACE OFFICERS', AND TEACHERS' RETIREMENT SYSTEMS; SUSPENDING GUARANTEED ANNUAL BENEFIT ADJUSTMENTS EXCEPT IN THE JUDGES' RETIREMENT SYSTEM; REVISING EMPLOYEE AND EMPLOYER CONTRIBUTION RATES AND THE ALLOCATION OF CONTRIBUTIONS WITHIN THE STATEWIDE DEFINED CONTRIBUTION PLAN; REVISING THE DUTIES OF THE LEGISLATIVE FINANCE COMMITTEE, STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE, AND REVENUE AND TRANSPORTATION INTERIM COMMITTEE; PROVIDING STATUTORY APPROPRIATIONS FROM COAL SEVERANCE TAX REVENUE AND THE GENERAL FUND TO PAY DEFINED BENEFIT RETIREMENT SYSTEM UNFUNDED LIABILITIES; REQUIRING ACTUARIAL REPORTS TO INCLUDE A PROJECTION OF THE DOLLAR AMOUNT THAT SHOULD BE ANNUALLY APPROPRIATED TO PAY OFF DEFINED BENEFIT RETIREMENT SYSTEM UNFUNDED LIABILITIES BY A SPECIFIED DATE; AMENDING SECTIONS 2-15-

1009, 5-5-227, 5-5-228, 5-12-205, 7-32-4132, 15-35-108, 17-7-502, 19-2-302, 19-2-303, 19-2-405, 19-2-407, 19-2-408, 19-2-715, 19-2-1004, 19-3-103, 19-3-112, 19-3-201, 19-3-203, 19-3-315, 19-3-316, 19-3-319, 19-3-401, 19-3-412, 19-3-1605, 19-3-2101, 19-3-2102, 19-3-2106, 19-3-2111, 19-3-2112, 19-3-2114, 19-3-2115, 19-3-2116, 19-3-2126, 19-3-2141, 19-5-301, 19-6-301, 19-6-402, 19-6-710, 19-6-711, 19-7-301, 19-7-403, 19-7-711, 19-7-801, 19-8-301, 19-8-302, 19-8-502, 19-8-1105, 19-9-207, 19-9-301, 19-9-1009, 19-9-1010, 19-9-1013, 19-13-210, 19-13-211, 19-13-301, 19-13-1010, 19-13-1011, 19-17-102, 19-17-301, 19-20-201, 19-20-302, 19-20-417, 19-20-602, 19-20-719, 19-21-214, 20-9-501, 25-13-608, AND 44-1-518, MCA; REPEALING SECTIONS 19-3-202, 19-3-522, 19-3-909, 19-3-1016, 19-3-1112, 19-3-1212, 19-3-1502, 19-3-1607, 19-3-2103, 19-3-2113, 19-3-2117, 19-3-2121, AND 19-17-205, MCA; AND PROVIDING EFFECTIVE DATES.

[Senate Bill No. 82](#) – (S) Died in Standing Committee - AN ACT REQUIRING NEW HIRES INTO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO BE MEMBERS OF THE DEFINED CONTRIBUTION PLAN; ALLOWING CERTAIN DEFINED BENEFIT PLAN MEMBERS AN OPTION TO SWITCH TO THE DEFINED CONTRIBUTION PLAN; REVISING VESTING PROVISIONS FOR DEFINED CONTRIBUTION PLAN MEMBERS; REQUIRING THE GOVERNOR TO INCLUDE IN THE EXECUTIVE BUDGET THE FUNDING NECESSARY TO AMORTIZE THE UNFUNDED LIABILITY OF THE DEFINED BENEFIT PLAN; REVISING THE ALLOCATION OF THE EMPLOYER CONTRIBUTION FOR MEMBERS OF THE DEFINED CONTRIBUTION PLAN; REQUIRING THE BOARD TO SEEK A RULING OF THE INTERNAL REVENUE SERVICE AND MAKING THE ACT CONTINGENT ON A FAVORABLE RULING; AMENDING SECTIONS 17-7-111, 17-7-112, 19-2-303, 19-2-403, 19-2-407, 19-2-715, 19-3-108, 19-3-316, 19-3-319, 19-3-401, 19-3-412, 19-3-2101, 19-3-2106, 19-3-2111, 19-3-2112, 19-3-2113, 19-3-2114, 19-3-2115, 19-3-2116, 19-3-2117, 19-3-2126, 19-3-2141, AND 19-21-214, MCA; REPEALING SECTION 19-3-2121, MCA; AND PROVIDING EFFECTIVE DATES.

[Senate Bill No. 333](#) – (S) Died in Standing Committee - AN ACT REVISING LAWS RELATED TO PUBLIC EMPLOYEE RETIREMENT SYSTEMS; ESTABLISHING A CASH BALANCE BENEFIT TIER FOR NEW MEMBERS IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE TEACHERS' RETIREMENT SYSTEM; PROVIDING DEFINITIONS; SPECIFYING MEMBERSHIP CRITERIA; ESTABLISHING MEMBER RIGHTS AND BENEFITS; SPECIFYING RETIREMENT BOARD DUTIES AND AUTHORIZING RULEMAKING; REQUIRING EACH RETIREMENT BOARD TO SEEK A RULING FROM THE INTERNAL REVENUE SERVICE CONCERNING COMPLIANCE WITH FEDERAL TAX QUALIFICATION PROVISIONS GOVERNING THE RETIREMENT SYSTEMS; AMENDING SECTIONS 19-2-303, 19-2-710, 19-3-108, 19-3-315, 19-3-401, 19-3-522, 19-3-901, 19-3-902, 19-3-904, 19-3-906, 19-3-909, 19-3-1002, 19-3-1016, 19-3-1112, 19-3-1202, 19-3-1203, 19-3-1204, 19-3-1205, 19-3-1607, 19-20-101, 19-20-102, 19-20-104, 19-20-702, 19-20-716, 19-20-719, 19-20-731, 19-20-732, 19-20-733, 19-20-805, 19-20-1001, AND 19-20-1002, MCA; AND PROVIDING EFFECTIVE DATES.

Senate Bill No. 406 – (S) Died in Standing Committee - AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN ACT ESTABLISHING THE FAIR PUBLIC PENSION ACT AND REVISING PUBLIC EMPLOYEE RETIREMENT LAWS; REQUIRING NEW PUBLIC EMPLOYEES WHO WOULD OTHERWISE BECOME MEMBERS OF THE PUBLIC EMPLOYEES' OR TEACHERS' RETIREMENT SYSTEM TO INSTEAD BECOME MEMBERS OF A DEFINED CONTRIBUTION RETIREMENT PLAN SIMILAR TO A 401(K) PLAN; PROVIDING RULEMAKING AUTHORITY; AND AMENDING SECTIONS 19-3-203, 19-3-401, 19-3-412, AND 19-20-302, MCA.

2011

[House Bill No. 197](#) – (H) Died in Standing Committee - AN ACT SUBMITTING TO THE QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE II, SECTION 31, OF THE MONTANA CONSTITUTION TO ALLOW THE LEGISLATURE TO MODIFY A PUBLIC RETIREMENT PLAN AND THE PUBLIC RETIREMENT PLAN CONTRACTS, AS THEY APPLY TO INDIVIDUALS WHO ARE ALREADY MEMBERS OF THE PLAN, IN ORDER TO MAINTAIN THE ACTUARIAL SOUNDNESS OF THE PLAN.

[House Bill No. 608](#) – (H) Died in Standing Committee - AN ACT CREATING AN ANNUITY BENEFIT PROGRAM; REQUIRING THE DEPARTMENT OF ADMINISTRATION TO ADMINISTER THE PROGRAM; PROVIDING THE DEPARTMENT WITH RULEMAKING AUTHORITY TO IMPLEMENT AND ADMINISTER THE PROGRAM; REQUIRING CERTAIN EMPLOYEES OF THE STATE OF MONTANA AND ITS POLITICAL SUBDIVISIONS TO PARTICIPATE IN THE PROGRAM; REQUIRING EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO THE PROGRAM; ALLOWING CERTAIN POLITICAL SUBDIVISIONS TO CONTRACT WITH THE DEPARTMENT TO PARTICIPATE IN THE PROGRAM; CLOSING EXISTING STATE PUBLIC RETIREMENT SYSTEMS TO NEW MEMBERS; PROVIDING AN APPROPRIATION; REQUIRING THE DEPARTMENT OF ADMINISTRATION TO SEEK A RULING FROM THE INTERNAL REVENUE SERVICE; AMENDING SECTIONS 19-2-303, 19-3-319, 19-3-401, 19-3-412, 19-5-301, 19-6-301, 19-7-301, 19-7-302, 19-8-301, 19-8-302, 19-9-301, 19-13-301, 19-20-101, 19-20-302, AND 20-9-501, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE.

[Senate Bill No. 54](#) – Vetoed by Governor - AN ACT CREATING A HYBRID TIER FOR NEW HIRES IN THE TEACHERS' RETIREMENT SYSTEM; REVISING THE RETIREMENT SYSTEM POLICY; REQUIRING THE TEACHERS' RETIREMENT BOARD TO ESTABLISH ANNUALLY AN INTEREST CREDIT RATE; PROVIDING DEATH AND DISABILITY BENEFITS FOR HYBRID TIER MEMBERS; REQUIRING A MEMBER TO ELECT A CONTRIBUTION RATE AT THE TIME OF HIRE; ESTABLISHING A GRADED VESTING SCHEDULE FOR EMPLOYER MATCH; PROVIDING FOR A POSTRETIREMENT EMPLOYMENT AND PURCHASE OF PREVIOUS SERVICE CREDIT IN THE NEW TIER; ESTABLISHING MINIMUM AND MAXIMUM INTEREST CREDIT RATES; GRANTING THE BOARD THE POWER AND DUTY TO ADMINISTER THE NEW TIER; GRANTING THE TEACHERS' RETIREMENT BOARD RULEMAKING AUTHORITY TO ESTABLISH AND ADMINISTER THE HYBRID TIER; REQUIRING OVERSIGHT BY THE STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE; REQUIRING THE BOARD TO SEEK A RULING OF THE INTERNAL REVENUE SERVICE; PROVIDING FOR AN ALTERNATE RETIREMENT SYSTEM MATCH FOR VESTING BASED ON A RULING FROM THE INTERNAL REVENUE SERVICE; REQUIRING THE BOARD TO CERTIFY WHEN THE HYBRID TIER IS OPERATIONAL; AMENDING SECTIONS 19-20-101, 19-20-102, 19-20-104, 19-20-201, 19-20-501, 19-20-602, 19-20-605, 19-20-702, 19-20-716, 19-20-731, 19-20-732, 19-20-733, 19-20-801, 19-20-902, 19-20-1001, AND 19-20-1002, MCA; AND PROVIDING EFFECTIVE DATES.

[Senate Bill No. 328](#) – (H) Died in Standing Committee - AN ACT REQUIRING NEW HIRES INTO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO BE MEMBERS OF THE DEFINED CONTRIBUTION PLAN; ALLOWING CERTAIN DEFINED BENEFIT PLAN MEMBERS AN OPTION TO SWITCH TO THE DEFINED CONTRIBUTION PLAN; REVISING VESTING PROVISIONS FOR DEFINED CONTRIBUTION PLAN MEMBERS; REQUIRING THE GOVERNOR TO INCLUDE IN THE EXECUTIVE BUDGET THE FUNDING NECESSARY TO AMORTIZE THE UNFUNDED LIABILITY OF THE DEFINED BENEFIT PLAN; REVISING THE ALLOCATION OF THE EMPLOYER CONTRIBUTION FOR MEMBERS OF THE DEFINED

CONTRIBUTION PLAN; REQUIRING THE BOARD TO SEEK A RULING OF THE INTERNAL REVENUE SERVICE AND MAKING THE ACT CONTINGENT ON A FAVORABLE RULING; AMENDING SECTIONS 17-7-111, 17-7-112, 19-2-303, 19-2-403, 19-2-407, 19-2-715, 19-3-108, 19-3-316, 19-3-319, 19-3-401, 19-3-412, 19-3-2101, 19-3-2106, 19-3-2111, 19-3-2112, 19-3-2113, 19-3-2114, 19-3-2115, 19-3-2116, 19-3-2117, 19-3-2126, 19-3-2141, AND 19-21-214, MCA; REPEALING SECTION 19-3-2121, MCA; AND PROVIDING EFFECTIVE DATES.

2009

[House Bill No. 659](#) – Chapter Number Assigned - AN ACT DIRECTING THE STATE ADMINISTRATION AND VETERANS' AFFAIRS INTERIM COMMITTEE TO EXAMINE AND RECOMMEND TO THE 62ND LEGISLATURE FUNDING AND BENEFIT CHANGES IN THE STATEWIDE PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS; PROVIDING AN APPROPRIATION; AND PROVIDING AN EFFECTIVE DATE.

[House Bill No. 679](#) – (H) Died in Standing Committee - AN ACT REQUIRING CERTAIN STATE AND LOCAL GOVERNMENT EMPLOYEES, BEGINNING JULY 1, 2010, TO BE MEMBERS OF THE DEFINED CONTRIBUTION RETIREMENT PLAN WITHIN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; FREEZING THE MEMBERSHIP OF CERTAIN DEFINED BENEFIT RETIREMENT PLANS AS OF JUNE 30, 2010; ESTABLISHING DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTION REQUIREMENTS AND OPTIONS FOR CERTAIN PUBLIC EMPLOYEES; ESTABLISHING DEFINED CONTRIBUTION RETIREMENT PLAN CONTRIBUTIONS REQUIREMENTS FOR CERTAIN PUBLIC EMPLOYERS; PROVIDING FOR THE TRANSITION BY EMPLOYERS AND EMPLOYEES FROM CERTAIN DEFINED BENEFIT RETIREMENT PLANS TO THE DEFINED CONTRIBUTION RETIREMENT PLAN WITHIN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; PROVIDING AN APPROPRIATION; REQUIRING THE PUBLIC EMPLOYEES' RETIREMENT BOARD TO SEEK A RULING OR OPINION; AMENDING SECTIONS 2-15-1009, 2-18-704, 17-7-502, 19-2-303, 19-2-405, 19-2-407, 19-2-704, 19-3-315, 19-3-316, 19-3-401, 19-3-412, 19-3-2101, 19-3-2102, 19-3-2106, 19-3-2111, 19-3-2112, 19-3-2113, 19-3-2114, 19-3-2115, 19-3-2116, 19-3-2117, 19-3-2121, 19-3-2141, 19-3-2143, 19-5-301, 19-6-301, 19-7-301, 19-7-302, 19-8-301, 19-8-302, 19-9-301, 19-13-301, 19-20-101, 19-20-302, 20-9-501, AND 20-15-404, MCA; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES.

Prepared by
Sheri S. Scurr, Research Analyst
Montana Legislative Services Division
(406) 444-3064

CL0106 8255SHQB.DOCX